Citizenship, accountability and community: the limits of the CSR agenda

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The focus of this article on the relationship between companies and local communities derives from a concern that many accounts of corporate responsibility and citizenship overlook this relationship—in particular, relations with poorer communities—as part of a general neglect of the developmental implications of the CSR agenda. Communities are engaging with corporations more routinely now than previously, a trend fostered by the lowering of barriers to trade through global trade accords, attempts to strengthen the rights of foreign investors and broader processes of national liberalization across many parts of the developing world. Increasingly they do so in ways that assume global significance because of new forms of global organizing and the influence of media and telecommunications, which expose companies' activities to greater scrutiny, as well as the nature of the claims companies themselves now make about their global operations. While there is a long history of firms in the extractive and plantation sectors, being engaged in conflicts and negotiations with communities, these new factors have exposed many more sectors and regions to these political dynamics.

It is often assumed that mechanisms for improving the social and environmental conduct of firms, such as codes of conduct, ethical trading initiatives and certification schemes, provide new forms of protection to poorer groups. However, questions are being asked about the extent and effectiveness of such protection, arising from concerns over whether these tools are sufficiently geared towards the needs of the very poorest workers. Similar anxieties attach to the lack of effective international and national regulation of the private sector, and the inaccessibility and underdevelopment of mechanisms of redress and company liability.[1] The purpose of this article is to add some clarity to the discussion about for whom CSR works and under what conditions.

[1] P. Newell, 'Managing multinationals: the governance of investment for the environment', *Journal of International Development* 13, 2001, pp. 907–19.

A key argument advanced in this article is that a significant limitation of many existing CSR approaches is that while they may encourage 'responsible' business to go 'beyond compliance', they provide few checks and balances on the operations of 'irresponsible' businesses, for which strategies of regulation, sanction and protest continue to be key drivers of change. This is particularly problematic for communities that are affected by such investment practices but are not identified as legitimate stakeholders by business, and lack sufficient influence within government policy-making to articulate and defend their concerns. In this context, the resort to informal and often confrontational strategies in the struggle to establish accountability can hardly be considered surprising. The term 'accountability' is chosen deliberately. Notions of 'responsibility' tend to confer on business the power to set the terms of its own conduct. The notion of accountability is more helpful in this context, for it lays bare the power relations which the seemingly benign language of 'responsibility' and 'citizenship' seeks to deny or obscure.

The case-studies referred to in the article draw on continuing work in India on large firms (one publicly owned and the others mostly private) that have entered into engagements with resource-poor, often landless communities reliant upon traditional means of livelihood. In this sense the case-studies test to the full the applicability of ideas about corporate responsibility, developed largely in Europe and North America; but the situations they describe are commonplace in many parts of both the developed and the developing world. Work on particular sectors, on individual companies or on multinational companies in general underscores the importance of the relationship between the company and the community hosting its investment.[2] It is clearly more difficult to change the conduct of some companies than others, and the success of community-based strategies in bringing about such change is contingent on a number of interrelated factors.[3]

Putting community first

The concern that provides the starting point for this article is that many of the tools and strategies used to hold companies to account to such positive effect in Europe and North America by Northern-based NGOs and trades unions, for example, are not available to poorer and less well-mobilized communities. These include boycotts, where purchasing power and size of market are key; shareholder activism, where finance and political mobilization are crucial; or tools such as codes of conduct and partnerships over specific issues,[4] which

[2] For a sectoral study, see G. Evans, J. Goodman and N. Lansbury, eds, *Moving mountains: communities confront mining and globalisation* (London and New York: Zed, 2002); for an individual company, see P. Mulligan, 'Greenwash or blueprint? Rio Tinto in Madagascar', *IDS Bulletin* 30: 3, Institute of Development Studies, July 1999; for multinational companies in general, see J. Madeley, *Big business, poor peoples* (London: Zed, 1999).

[3] N. Garvey and P. Newell, *Corporate accountability to the poor? Assessing the effectiveness of community-based strategies*, IDS Working Paper no. 227 (Brighton: IDS, October 2004).

[4] P. Newell, 'Environmental NGOs and globalisation: the governance of TNCs', in R. Cohen and S. Rai, eds, *Global social movements* (London: Athlone, 2000), pp. 117–34.

imply a degree of leverage on the part of the communities and a level of equity between business and civil society actors that is often lacking.

There is clearly an important difference between a well-resourced and globally networked NGO engaging a company in a discussion about its social and environmental responsibilities and a poorer community without significant resources or access to global networks, confronting investors from a position of weakness. This is not to suggest that agreements between companies and communities are not possible; indeed, there are cases where they have been reached. The mining company Rio Tinto, for example, cites cases of agreements concluded with aboriginal groups covering socio-economic and environmental issues as well as questions of community participation.[5] The case-studies that adorn the brochures of the World Bank–Care International 'Business Partners for Development' initiative also seek to demonstrate the possibility of 'best practice' business–community engagements. Clearly, however, power inequities have important implications for the types of accountability mechanism that can realistically be constructed between companies and communities. The nature of the community, as well as the sector in which the company is based, the extent to which it has a global presence and the form of corporate culture that predominates, will all have a bearing on the type of accountability relationship that is possible between a firm and a community.

There are several reasons why it is important to foreground the role of poorer communities in discussions about corporate responsibility and accountability. First, poorer sections of communities are often underrepresented in, or left out altogether, from processes of constructing and implementing 'soft' regulation (non-legally binding) and self-regulation, even when cited as the intended beneficiaries. This is either because they are not identified as a legitimate stakeholder group in the way an NGO or trade union might be, or because the assumption, often misplaced, is that those bodies will act as adequate intermediaries for the representation of poorer groups' concerns. Work on the design of codes of conduct in the horticulture sector, for example, suggests that the concerns of the poorest seasonal and temporary women workers are often not dealt with by such tools.[6]

Second, poorer communities, through geographical isolation and/or proximity to areas of mineral wealth, often find themselves in the front line of activity by industries in the extractive sector. By virtue of the nature of these industries and the side-effects they produce, as well as the poverty of those who host such ventures, poorer communities are most likely to be among the victims of irresponsible investment in sectors such as mining, oil extraction and logging. Third, similar patterns of political and geographical isolation mean that poorer communities are often targeted, either by design or by default, as sites for the industrial activity that no one else wants. Work on environmental and

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[5] www.riotinto.com/community/casestudies/cs3c/3c_txt,html, accessed 7 July 2003.
[6] S. M. S. Barrientos and L. Orton, *Gender and codes of conduct: a case study from horticulture in South Africa* (London: Christian Aid, 1999).

toxic racism, for example, suggests that poorer communities of colour are often the preferred repositories of hazardous nuclear, chemical and toxic waste facilities.[7] Fourth, for a set of historical and material reasons, poorer groups are often less well represented in the policy process, less well mobilized to defend their own interests and least well networked with global transnational activist networks that might serve to amplify their voice or draw attention to their plight.

Fifth, as a result of this marginalization and underrepresentation within state-level policy processes, poorer (particularly rural) communities are often involved in disputes with the state over land claims and entitlements. Ethnic, tribal and racial divisions between state elites and particular regions often serve to compound these fractious relations. Contemporary examples include the protests of the U'wa in Colombia over oil speculation on their lands, as well as controversy over the entitlement of the Ogoni people to a greater share of the revenues earned from oil in the Niger delta.

In sum then, poorer communities often work in or are affected by activities in regions and sectors that are way down the supply chain and out of the spotlight, far removed from the CSR whirl.

Citizenship and community

The general lack of attention to poorer communities outside the regions and sectors in which the CSR debate is grounded continues in spite of growing claims on the part of firms about their corporate responsibilities to the communities in which they invest. For example, the International Council on Mining and Metals (ICMM) emphasizes its contribution to 'the social, economic and institutional development of the communities in which we operate'.[8] The issue of direct interaction with communities is of particular relevance for companies in extractive sectors, and accordingly Rio Tinto draws attention to agreements that have been signed with communities as examples of positive practice. The Diavik Diamond Mines project in Canada is said to have been planned 'with the help of neighbouring communities … With the help of elders, traditional knowledge was incorporated into the project.' Formal agreements signed between the company and local communities include 'an Environmental Agreement, a Socio-Economic Monitoring Agreement and separate Participation Agreements with each of the five Aboriginal groups'.[9]

Many firms in the extractive and natural resource sectors are also part of the World Bank–Care International 'Business Partners for Development' (BPD) scheme. BPD focuses on the material drivers and impacts of 'tri-sector partnerships' among businesses, governmental bodies and local communities/civil

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[7] L. Cole and S. Foster, *From the ground up: environmental racism and the rise of the environmental justice movement* (New York: New York University Press, 2001).

[8] ICMM, http://www.responsiblepractice.com/english/insight.icmm, accessed 8 July 2003.

[9] www.riotinto.com/community/casestudies/cs3c/3c_txt,html, accessed 7 July 2003.

society organizations (CSOs). The guiding assumption is that real commitment and tangible benefits will arise only when the different partners in the relationship can see a material or other practical incentive to get involved. BPD papers, therefore, focus narrowly on the 'business benefits', 'social development impacts' and 'good governance' outcomes of tri–sector partnerships. In attempting to make the 'business case' for CSR, BPD reveals both the motivations and limitations of corporate citizenship practices defined in this way. Many of the cases that are presented as good examples of tri–sector partnerships with three-way benefits can equally be interpreted as ways in which firms succeeded in achieving their basic aims while saving significant sums of money by getting local government and civil society to contribute to projects. Such partnerships can develop only where the company is interested in achieving the goal concerned, such as securing provision of health or education services that will benefit their employees; other demands by the community get ignored if business has no direct incentive to get involved or can reasonably claim that it is up to government to fulfil those other responsibilities.

Overall, the 'business benefits' listed in the BPD documents most commonly include 'managing community expectations' (because the responsibilities of the companies are assumed to be limited); 'leveraging resources' from other bodies to pay for things the company wants; saving money in risk management and security operations; and ensuring there are no 'legacy issues' after the operations are closed down. Beyond passing acknowledgement of the need for 'assistance to the community as an entitlement, not a gift from the company', social and community development are regarded as things that are 'demanded' or 'expected' by local communities, and are the responsibility of governments rather than firms. There is little sense that firms have responsibilities that go beyond legal duties. Anything else they do has to be justified as a cost saving, raising the question: What about issues for which there is not an obvious business case?

In the cases explored in this article, the power company National Thermal Power Corporation (NTPC) provides an interesting example of a company that is simultaneously party to global claim-making regarding corporate citizenship while also engaged in local-level conflicts around the meaning and realization of those obligations. There is a sharp contrast between the claims made by the company regarding its social and environmental responsibilities and the accounts of communities affected by the plant in Vizag, Andhra Pradesh.[10]

The company claims: 'As a responsible corporate citizen, NTPC is making constant efforts to improve the socio-economic status of the people affected by

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[10] A. B. S. V. Ranga Rao and R. D. Sampath Kumar, *Multi-party accountability for environmentally sustainable industrial development: the challenge of active citizenship. A study of stakeholders in the Simhadri Thermal Power Project, Paravada, Visakhapatnam District, Andhra Pradesh* (New Delhi: PRIA/Department of Social Work, 2003). By citing claims made by both companies and communities in these case-studies, the intention is to illustrate the nature of claim-making about accountability and not to make judgements about the validity or otherwise of the allegations regarding a company's conduct.

its projects. Through its Rehabilitation and Resettlement programmes, the company endeavours to improve the overall socio-economic status of Project Affected Persons.' Elsewhere, the company claims that its 18 power stations have received ISO 14001 certification and proudly proclaims its membership of the UN's Global Compact initiative. These projections of responsible corporate citizenship sit uncomfortably with the claims of communities affected by NTPC activities of widespread damage to their livelihoods, the local environment (upon which their livelihoods depend) and their own health, as a result of living in the vicinity of the plant in Vizag—accounts that are confirmed by local government officials and members of the National Pollution Control Board. Fortunately for NTPC, the groups campaigning on these issues do not yet have sufficiently developed transnational networks to capitalize on the company's vulnerability to embarrassment as a member of the Global Compact facing controversial allegations regarding its conduct on the ground.

The notion of citizenship invokes the idea that firms have an obligation to return something to the communities affected by their activities. And yet, in the absence of binding regulation to determine the basis of this contract, the range and level of obligations they are expected to fulfil are largely left to their discretion. The power to define the rights and responsibilities that underpin a social contract is not shared. Because in many settings companies have greater bargaining leverage and enjoy the backing and support of governments, the space for communities to contest rights and responsibilities is restricted. In addition, many of the traditional notions underpinning the social contract of citizenship, for example the long-term commitment to invest in a particular community, are subverted by the new leverage which firms have acquired as a result of their mobility and the threat of relocation on the one hand, and the failure to enforce their responsibilities to the communities in which they invest, on the other. As Sachs has argued, 'the emergence of the globe as an economic arena where capital, goods and services can move with little consideration for local and national communities had delivered the most serious blow to the idea of a polity which is built on reciprocal rights and duties among citizens … Through transnationalization, capital escapes any links of loyalty to a particular society.'[11]

What is often described as citizenship should perhaps be recast in more appropriate terms which more accurately describe the intent behind the activity. First, many actions that are described as exercises of corporate citizenship in reality amount to philanthropic gestures for good public relations. From the point of view of accountability, reliance on corporate philanthropy rather than community rights may be particularly misplaced when we are dealing with regions and sectors that are isolated from many of the pressures to present a positive corporate image. Secondly, such 'philanthropic' gestures may also serve the purpose of *placating community demands*. Payoffs are often made in return for

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[11] W. Sachs, 'Ecology, justice and the end of development', *Development* 24: 2, 1997, p. 10.

acquiescence in a controversial investment. Hospitals, schools and community centres are constructed, as in the case of Vizag—actions that do not implicate the company in any way. While often bringing much-needed facilities to the community as a whole, such investments undermine the ability of aggrieved groups to make political demands which may threaten continued 'goodwill' on the part of the company. Short-term material concessions are not a substitute for a policy process which recognizes an entitlement to voice. A third reason for 'citizenship' action is *financial gain*, whereby companies receive tax relief for investing in social initiatives or avoid tax by channelling funds into 'charitable projects'. Such gestures, while bringing positive benefits in many cases, do not amount to the systematically secured, inalienable, institutionally protected and constitutionally enshrined rights and responsibilities that are central to a meaningful notion of citizenship. While businesses increasingly invoke and benefit from using the language of citizenship, the political and social contracts which underpin the concept imply a set of processes and procedures for recognizing and enforcing rights that the state has a primary duty to administer and the capacity to oversee.

Community-based accountability strategies

Given the limitations of many of these strategies and instruments, it is important to think about the sorts of accountability mechanisms that communities themselves can construct through a combination of negotiation and protest. Many of these strategies are informal—some of them are illegal—and often aim at registering dissent rather than expecting to bring about change in the behaviour of the company.

There is also an emerging interest in what O'Rourke calls 'community-driven regulation' (CDR), focused on the potential complementarities between traditional state strategies of business regulation and the effect of community-based actions for corporate accountability, in this case around environmental issues. He notes: 'In successful cases of CDR, community actions play a central role in pressuring state agencies to improve their monitoring and enforcement of environmental regulations. Community mobilizations essentially begin a dialogue between impacted stakeholders and the state, leading to debate, conflict and sometimes bargaining over developmental and environmental trade-offs.'[12] In this sense the result is practices of co-production of regulation, requiring both 'the energies and actions of average community members and the responses of front-line environmental agencies'. To date these dynamics have remained informal and have not been codified in new laws or regulatory processes.[13] CDR raises broader and more fundamental

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[12] D. O'Rourke, *Community-based regulation: balancing development and environment in Vietnam* (Cambridge, MA: MIT Press, 2004), p. xii.

[13] O'Rourke, *Community-based regulation*, p. xvii.

questions of equity about who benefits from and bears the costs of a particular type of development. It 'advances a form of accountability politics, raising the question of why the state is not doing its job' with regard both to the communities it is meant to serve and to the industries it is meant to regulate towards that end.[14]

The settings O'Rourke describes in many ways mirror those encountered in the case-studies behind this research. In some ways they provide a more extreme test of prevailing CSR models and assumptions: in his Vietnam case-study there are no local NGOs to put pressure on the firm and the local regulatory agency, weak in any case, answers to the same party officials who own a portion of the factory.[15] The impacts of community-driven regulation that he describes vary notably from one case to another, again perhaps reflecting the different power dynamics and inequities at work. In the cases examined in Vietnam, CDR played a key role in pressuring state environmental agencies to improve monitoring and enforcement capabilities. This supports the findings of other work, by the World Bank for example, which perhaps overgeneralizes about the ability of communities to strengthen environmental protection, generating informal regulation 'at least as strong as formal regulation' in influencing firms to reduce pollution,[16] without exploring the conditions in which are such forms of regulation are possible.

It is important to acknowledge that broader forms of protest and mobilization often pre-date, support and give rise to more formal modes of dialogue leading to new forms of regulation. Lack of material and political resources often means that groups resort to micro-strategies of resistance—'weapons of the weak', to borrow the title of Scott's famous work.[17] Petty sabotage and blockades are among the forms of resistance that the powerless have adopted to express their disapproval of a corporation's activities. Rowell cites the example of the Penan indigenous peoples of Sarawak Malaysia, who, 'Predominantly illiterate and without any kind of political representation . . . have used the only option open to them to stop the logging. They have been manning non-violent blockades across the logging roads.'[18] O'Rourke describes how government officials in Vietnam acknowledged that spontaneous 'gatherings in front of the factory', in protest at chemical pollution of a cooperative fish pond, acted as a 'major pressure' on Viet Tri Chemicals to address the community's grievances. Where channels of dialogue with business are not open and the government is unresponsive, direct action can draw attention to issues that would otherwise remain in the shadows.

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[14] O'Rourke, *Community-based regulation*, p. 221.
[15] O'Rourke, *Community-based regulation*, p. 3.
[16] Cited in O'Rourke, *Community-based regulation*, p. 241.
[17] J. C. Scott, *Weapons of the weak: everyday forms of peasant resistance* (New Haven, CT: Yale University Press, 1985).
[18] A. Rowell, *Green backlash: global subversion of the environmental movement* (London: Routledge, 1996), p. 266.

In terms of highlighting an injustice, attracting media and public attention to a cause, demonstrations and acts of civil disobedience to register dissent can, 'in certain circumstances', help to generate an industry or government response. For example, the day after media coverage in *The Hindu* newspaper about the work of the NGO PRIA (the Society for Participatory Research in Asia) with communities affected by the NTPC plant, the Pollution Control Board sent monitors to record levels of water pollution around the plant. Though media coverage is not always a good thing, identifying opponents of industry as a nuisance, groups working in this area have discerned a notable shift in the company's attitude towards them, namely a greater openness to the possibility of dialogue with their critics.

Often communities seek to expose links between a company's activities and the types of impact felt by affected communities. In the case of NTPC, the company itself has funded temporary diagnostic camps, though notably not to diagnose the sorts of health conditions that residents claim have been exacerbated by its operations; such activities often rely on NGOs for support. PRIA, through its local networks, has played an active part in setting up such camps so that victims of industrial pollution have a clearer idea of what is causing their ailments and what might be done to treat them. In many cases the complexity of tracing the causes of ailments, particularly among poorer groups that are exposed to so many other hazards and forms of deprivation in their day-to-day lives, makes it easy for companies to deny responsibility for the reported problems.

Other groups have engaged in 'barefoot' or 'worker' epidemiology, where people are taught to diagnose their own symptoms and to play an active part in gathering data likely to be of use in making claims to government and industry about the social costs of an industrial project. Such strategies can serve to challenge the basis of expertise on which companies draw: for example, where scientific studies are invoked to prove that the health of communities has not been harmed. Merrifield discusses attempts by communities to document the felt affects of toxic chemicals on their well-being by conducting their own household surveys of exposure to chemicals and the human consequences in the face of scepticism and non-cooperation from expert scientists.[19] Such participatory health-risk assessments provide an important counterweight to orthodox assessments of industrial hazards which overlook or undervalue lived experience, as well as improving the confidence of communities to challenge perceived injustices through their own means.

Communities can also contest the ways in which official environmental and human health surveys are conducted. In the case of Vizag, for example, claims of increased rates of malaria were repudiated until it was shown that chemical contamination of the water wells was leading to stagnant water, in turn creating a breeding ground for mosquitoes. Official surveys would not have captured

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[19] J. Merrifield, 'Putting scientists in their place: participatory research in environmental and occupational health', in P. Park, M. Brydon-Miller, B. Hall and T. Jackson, eds, *Voices of change: participatory research in the United States and Canada* (Toronto: OISE Press, 1993).

the complexity of the link between environmental pollution and human health if experiential knowledge had not been brought to bear. In recognition of this, attempts have been made to develop alternative methodologies to capture the disparate and multidimensional effects which are often overlooked in conventional environmental impact assessments. Anand, in her work in Chiplun, India, encouraged the Bhoi community to identify 'key events' that depicted the impact of the industrial belt upon their lives. People spoke of how dead fish floated to the surface of the creek following the sudden release of toxic chemicals into the water.[20] Other strategies seek more explicitly both to challenge and to plug gaps in state infrastructures of enforcement. In the case studies in India, PRIA has provided basic pollution-testing equipment (litmus tests for acidity in the water) so that communities can themselves monitor pollution levels and keep their own records alongside the 'official' ones kept by state pollution control boards. O'Rourke calls this the 'fire-alarm' model of environmental regulation: 'Recognizing that the state cannot patrol all firms, and in some areas does not effectively control any firms, community members pull alarms to target and motivate state action on specific firms.'[21]

Public hearings in theory provide a mechanism for anticipating and addressing problems associated with proposed investments. Though many companies are legally obliged to conduct such hearings, in practice they often fail to do so. Formally, in India companies are required to notify the public one month in advance of a public meeting through an advertisement in one English-speaking newspaper and in one newspaper written in a local language. In practice, it has been reported that a company will run an advertisement in just one edition of each language paper, never run it again, and often select those newspapers that are least widely read. Also, of course, the level of illiteracy exclude many poorer groups unless a conscious effort is made by local Panchayat committees and others to raise awareness about forthcoming meetings.

PRIA, through its local partners, has been involved in setting up informal public hearings at which various stakeholders are invited to air their concerns, and also to serve as a platform where those responsible for an investment can be publicly held to account. These have been held, for example, in Chiplun, Maharashtra and Vizag, Andhra Pradesh. It is of course possible that the company will refuse to attend an informal hearing, given that it is not legally obliged to do so, claiming that it is directly accountable only to the state government. However, companies anxious to defend themselves against negative publicity or wanting to generate goodwill in the regions in which they are operating may choose to attend.

'People's development plans' are fed into the public hearings and provide another tool for clarifying the respective expectations and obligations of

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[20] V. Anand, *Multi-party accountability for environmentally sustainable industrial development: the challenge of active citizenship. A study of stakeholders in the Lore Parshuram Chemical industrial belt, Chiplun, Maharashtra* (New Delhi: PRIA/College of Social Work, Mumbai University, 2002), p. 18.

[21] O'Rourke, *Community-based regulation*, p. 219.

companies and communities alike. They are developed by local NGOs following large-scale consultations with the communities with which they work about which forms of (industrial) development they would like to see, as well as those they would be opposed to. Often questionnaires and surveys are completed with a range of different stakeholders that have been identified as being directly or indirectly affected by a project. The findings are then compiled and presented at the local popular assembly (Gram Sabha), where they are discussed and changes listed that people want to see. They are then presented to government and industry at the public hearing. The advantage of being presented with a 'people's development plan', from an industry point of view, is that responding to a one-off document which expresses a spectrum of demands in a coherent fashion is preferable to trying to deal with a trickle of requests from individuals or specific villages.

Strengthening multi-stakeholder accountability

Given the multidimensional nature of the struggles for accountability, the future success of attempts by communities to hold corporations to account ultimately depends on strengthening accountability relationships in all directions.

The relationship between the state and business is clearly crucial. In many settings there is an obvious need to strengthen the capacity, resources and sanctioning powers of state bodies responsible for overseeing the activities of industry. Governments should also be in a position to demand and require that companies intending to invest conduct meaningful consultations with potentially affected groups before projects are begun. Governments can insist that these consultations are held within a timeframe adequate to allow full consideration by all communities likely to be affected. Longer timeframes are also important to enable communities and the NGOs with which they work to prepare for public hearings by gathering data, conducting their own consulta-tions and undertaking 'exposure visits' to communities that have worked with the company before. By these means, potential host communities can learn more about the track record of the company and, where necessary, call for conditions to be attached to a company's operating licence. Other important ways in which the state can strengthen accountability processes for host communities include the provision of mechanisms for the realization of access to justice, recognition of legal standing, and legal aid and access to redress for victims of industrial pollution.

Where such state-based processes are weak or lacking, community-based corporate accountability is dependent on a commitment on the part of the company to participate in engagements with a community. Attending public hearings, acting upon 'people's development plans' and accepting the desira-bility of needs-driven community development projects would indicate an acceptance by industries of their obligations to the communities in which they operate. How inclined they are to do these things may depend on their long-

term plans in the region and their corporate culture, among other things. Processes need to be in place within the firm through which social and environmental problems can be addressed. Willingness, opportunity and capacity to change are all important in this regard.

The challenge also differs depending on whether the company is state-owned or a private transnational company (TNC). State enterprises are insulated from community pressures and from state regulators in different ways from foreign TNCs. Foreign companies claim they are subject to more scrutiny, but they also have greater resources to respond to outside pressures. State companies often have close relations to state agencies, but are then also expected to account for the benefits they provide to society. Often the incentives to respond to pressure can be entirely self-interested but still yield positive benefits for the community in question. O'Rourke quotes the vice-director of the Vietnamese chemical company Viet Tri Chemicals explaining that some of his company's responses to community demands were made to avoid future payment of compensation, while also admitting a fear of being shut down and fined by environmental inspectors.[22] An additional approach centres on building relations of trust with the community: in this case, a programme was established to allow community members into the factory to tour the production lines.

When NGOs and trade unions are cast in the role of mediators between companies and communities, issues arise as to who speaks for whom and on what basis. For example, when NGOs or unions are involved in the negotiation of company codes or in presenting legal cases on behalf of affected groups, communities have to be confident that their interests are being adequately presented and reflected in the process. Civil society groups clearly have their own agendas as political actors, and these may not always be compatible with promoting the interests of the community. This underscores the importance of transparency and trust in engagements between communities and those in whom they have placed faith to represent and articulate their interests. Clear and explicit articulation of expectations and obligations at the outset of a process can help to establish such trust.[23] Clearly, links to NGOs and international campaigns can on occasion serve to amplify the concerns of poorer communities; where TNCs are involved and subjected to simultaneous pressure in their home country, these links can embarrass them into changing their conduct.

A final and important aspect of multiparty accountability is intracommunity accountability. Obviously, not all members of a community can participate in public hearings, meetings and legal processes, so decisions have to be made about who is best placed to represent a community. Often, hierarchies within a community will shape that decision, so that, for example, women are less often elected and younger people are often not put forward.[24] Also, where there are

[22] O'Rourke, *Community-based regulation*, p. 87.

[23] S. H. Ali, 'Shades of green: NGO coalitions, mining companies and the pursuit of negotiating power', in J. Bendell, ed., *Terms of endearment* (Sheffield: Greenleaf, 2000), pp. 79–95; Evans et al., *Moving mountains*.

[24] D. Rocheleau, B. Thomas-Slayter and E. Wangari, eds, *Feminist political ecology* (London: Routledge, 1995).

issues of resource allocation resulting from a compensation claim, for example, there may be conflicts within a community over who receives what and on what basis. Those more involved in these processes have a degree of discretion about which issues they put forward and what settlements and outcomes they feel are justified. Those acting as intermediary organizations need to be aware of these dynamics and create mechanisms for continuing feedback on negotiations, as well as procedures by which they can be held to account for their performance in advancing the concerns of the community as a whole.

Community-based strategies and the limits of CSR

Voluntarism is at the heart of much of the CSR debate and is popular among firms, governments and global development actors such as the World Bank. Many leading companies whose past activities have attracted controversy have produced statements of principles and codes of conduct proclaiming their respect for human rights, labour standards and environmental protection. The chemical industry's 'Responsible Care' programme can be seen in this light, as an attempt to reassure an anxious public in the wake of the Bhopal gas disaster and, at the same time, to obviate the need for regulatory intervention by demonstrating responsible leadership.

But while such tools might change the behaviour of some companies, especially those seeking to demonstrate renewed commitment to better per–formance on an issue for which they have been criticized in the past, or those that are vulnerable to brand–name damage, they are arguably less effective at holding to account the majority of firms with which poorer communities have to work around the world. Voluntary measures and self-regulation assume both high levels of trust and a responsible company serious about regulating the social and environmental impacts of its activities. This assumption disregards the reasons why many companies choose to operate in locations where labour is cheap and natural resources abundant; where social and environmental impacts are inevitably large, but importantly are less regulated than in their home countries.

If trust is often lacking in the sorts of situation we are concerned with here, independent third-party verification of codes and industry-set standards might serve as a solution. These are certainly preferable to codes that are not verified, but they are also limited in some fundamental ways. Audits of such codes are often conducted within a short timeframe, rarely producing a full and thorough assessment of working conditions or the environmental impacts of an industry.[25] In relation to labour standards, there are questions about the degree of access that auditors have to workers and the extent to which workers feel empowered enough to speak out about poor working conditions without

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[25] D. O'Rourke, 'Smoke from a hired gun: a critique of Nike's labour and environmental auditing in Vietnam as performed by Ernst and Young', unpublished MS, 1997, available at: www.corpwatch.org/trac/nike/ernst/.

exposing themselves to recriminations. Not only is it standard practice for employers to select the employees to be interviewed as part of an auditing process, even where access to the whole workforce is provided, it is still rare for unannounced visits to be made to factories to inspect working conditions. Many of the poorest and most vulnerable sections of the workforce, including child workers, work in spaces that are completely unregulated so that these forms of surveillance and verification bypass them altogether. Audits, codes and third-party verification tend to be used as a form of regulation for larger firms that can afford the compliance costs. These constitute a relatively small percentage of firms in global terms, and their employees rarely include the very poorest workers. There are also concerns about the independence of auditing firms, which are often paid by the firm whose activities they are meant to be auditing.

A key challenge is the development of anticipatory mechanisms that can be used to identify undesirable social and environmental impacts in advance of an operation being set up. In the cases studied in India, none of the communities that we visited in the vicinity of the NTPC plant in Vizag had been consulted about their views on the probable social and environmental impacts of the project on their villages before it was constructed. Nor are they being involved in deliberations around the development of a 'pharma park' to attract pharmaceutical companies to Andhra Pradesh's 'new economic zone'.[26]

Some of these limitations do not just apply to codes and industry-set standards, of course; problems of capacity, corruption and enforceability also apply to state regulations. As the case-study of NTPC in Vizag shows, the local Mandal government office and even the state-level Pollution Control Board exercise only a limited degree of control over the companies whose pollution levels they are charged with monitoring and reporting on. Those assessments that are made are often inadequately conducted. An official from the Pollution Control Board (PCB) in Andhra Pradesh conceded that the consultants brought in to undertake an environmental impact assessment of the proposed NTPC plant merely reproduced PCB figures and data without completing any extra work themselves. He also took the view that certain allowances are made for a flagship state company like NTPC seeking to maintain global credentials through its membership of the UN Global Compact. Underlining the importance of willingness, as well as capacity, O'Rourke notes: 'The state, and in particular local environmental agencies, even when they have training and equipment, are rarely autonomous or powerful enough to implement tough regulations on industry. Put simply, it is not just capacity, but incentives within the state which are critical.'[27]

Equally, the issue of access and representation applies not only to the design and implementation of CSR initiatives, but also to traditional models of social

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[26] 'Adverse impact of Pharma City feared', *The Hindu*, 19 Feb. 2003; 'Villagers brood over a "hazy" future', *The Hindu*, 22 Nov. 2002.
[27] O'Rourke, *Community-based regulation*, p. 10.

and environmental regulation. While legal redress provides a route for achieving social and environmental justice when a violation of rights or act of negligence takes place, there are many barriers which prevent poorer groups from using the law in this way, including financial disincentives, lack of legal literacy, distrust of legal processes and intimidation.[28] Even if a legal case is successful, compensation is often received by only a small number of individuals within the community, for example those with a title to the land, and takes a long time to secure. Perhaps most importantly of all, compensation is by definition a reactive strategy, often of little use if livelihood alternatives have been destroyed.

The experience of the environmental justice movement in the United States has led critics to question the value of legal over other political strategies that communities can adopt to press for change. Often bringing a legal case creates expectations of a positive outcome, and yet lawsuits take place in a forum in which the resources of private corporations and government entities far outweigh community resources.

In court, industry has access to the best lawyers, scientists and government officials money can buy; to have a chance a community group must often hire expensive experts. Relying on lawyers, rather than on a community's own actions, necessarily involves having just one or two people speaking for the community. On the other hand, a community-based political organizing strategy can be broad and participatory and can include all members of the community.[29]

One key lesson Cole and Foster suggest the groups learned was that 'while legal action brings much needed attention to environmental justice struggles, legal strategies rarely address what is, in essence, a larger political and structural problem'.[30]

Whether we choose to acknowledge it or not, and many CSR approaches do not, states are implicated in all aspects of the debate about corporate responsibility and accountability. States are in a position to create a positive enabling environment in which communities can claim and secure rights. Such interventions can take a number of forms, from creating and enforcing rights of access to information and disclosure to guaranteeing due process and providing for adequate redress. In cases of extreme and repeated negligence by a company, governments retain the power to revoke its licence to operate. It is the combined inability and/or unwillingness of states to perform these proactive roles that provides the impetus for the forms of community mobilization for corporate accountability described above.

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[28] P. Newell, 'Access to environmental justice? Litigation against TNCs in the South', *IDS Bulletin* 32: 1, 2001, pp. 83–94.
[39] Cole and Foster, *From the ground up*, p. 129.
[30] Cole and Foster, *From the ground up*, p. 47.

Conclusion

My purpose in raising the issues discussed in this article is not to suggest that CSR has nothing to contribute to poverty alleviation or sustainable development, but to engage in a process of determining, in precise contextual terms, its potential and limitations. Unhelpfully, perhaps for companies seeking 'one-size-fits-all' tools for the measurement of their social and environmental performance wherever they operate, the conclusion here is that such solutions are unable to address the key issues of process by which a company's social and environmental obligations come to be determined, enforced and made locally relevant. Mainstream CSR approaches assume a set of conditions that do not exist in most of the world. CSR can work, for *some* people, in *some* places, on *some* issues, *some* of the time. The challenge is to identify and specify those conditions in order that inappropriate models of 'best practice' are not universalized, projected and romanticized as if all the world were receptive to one model of CSR. This is particularly pertinent when the issues at stake centre on questions of community participation and rights: highly political processes that have to be constructed in ways that accurately reflect local realities. Such negotiations cannot easily be subject to orthodox evaluation and auditing methods driven by performance rather than process. Most CSR initiatives are not intended to tackle questions of poverty and social exclusion. They aim at less ambitious goals of performance enhancement and image management, leaving an important role for the state as creator and enforcer of the sorts of process requirements that make real the rights and responsibilities of companies and communities alike.

In the settings which form the background to this article, characterized by marked inequalities of power and resources, notions of partnership and the equity between stakeholders they imply make little sense. Voluntarism and self-regulation suggest dangerous precedents where state regulation remains unenforced or actively subverted, where compliance needs to be established before 'beyond compliance' initiatives can sensibly be contemplated. Assumptions of bargaining and consensus seem distant and unrealistic in the light of the politics of conflict and clashes of fundamental interests. To the extent that CSR is founded on a notion of anti-politics, denying and rendering invisible the importance and inevitability of conflict, it underestimates the importance of power and resistance in enabling or preventing outcomes favourable to the poor, while at the same time requiring a set of conditions to be in place that are achievable only in advanced industrialized and democratic contexts. In particular, the role of a strong state (though often not acknowledged), an active and well-mobilized civil society and a private sector willing and able to respond to CSR priorities emerge as prerequisites for the success of CSR initiatives. These basic requirements are often overlooked in the global transmission of CSR models of best practice generated through the experience of western firms and in political and social systems where these broader conditions are

present.[31] The CSR literature aimed at businesses performs an important role in disseminating such models aided by partnerships and alliances among leading industry bodies, business schools and those CSR institutes that have emerged in the global South.[32] There is a danger that the CSR debate will become a conversation betweeen managers of global capital North and South, and, on occasion, some elite NGOs and unions, many of which maintain only the most tenuous of connections with poorer groups that are either ignored in this process or considered only as passive recipients.

In highlighting the role of community-based strategies for corporate accountability, I have not sought to romanticize the self-help strategies adopted by communities around the world in the face of corporate irresponsibility. I have described them as an inevitable by-product of attempts to negotiate benefits in societies and regions with high levels of poverty and widespread inequalities. Where state intervention, global interest and corporate responsiveness are all lacking, such strategies represent an important element in the repertoire of means by which to pursue corporate accountability. If state regulation and self-regulation were working well, perhaps they would be less relevant, less important. In many ways, they are a last resort in the face of institutional inertia and state complicity in corporate irresponsibility. These are hardly new developments, but form part of the continuing contestation described by Blowfield and Frynas in their editorial introduction to this issue, over the social compact between business and society, the rules that govern this relationship and how wealth is to be distributed.

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[31] B. Willard, *The sustainability advantage: seven business benefits of a triple bottom line* (Gabriola Island, British Colombia: New Society, 2002); M. McIntosh, D. Leipziger, K. Jones and G. Coleman, *Corporate citizenship: successful strategies for responsible companies* (London: Financial Times Management, 1998); D. Dunphy, J. Benveniste, A. Griffiths and P. Sutton, *Sustainability: the corporate challenge of the twenty-first century* (St Leonards, NSW: Allen & Unwin, 2000).

[32] M. J. Epstein and B. Birchard, *La empresa honesta: Como convertir la responsibilidad corporative en una ventaja competitiva* (Buenos Aires: SAICF [Editorial Paidós], 2001); F. P. DeMelo Neto and C. Froes, *Responsibilidade social e cidadania empresarial: A administraçâo do terceiro setor*, 2nd edn (Rio de Janeiro: Quality Mark, 2001); M. M. Schwalb, C. Ortega and E. Garcia, eds, *Casos de responsibilidad social*, Apuntes de Estudio 53 (Lima: Universidad del Pacífico, Centro de Investigacíon, 2003).